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UNCLAS SECTION 01 OF 03 BAGHDAD 004798

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [EAGR](#) [ECON](#) [ELAB](#) [ENRG](#) [EPET](#) [SMIG](#) [SOCI](#) [PGOV](#) [IZ](#)

SUBJECT: COPING WITH LIFE AND SHORTAGES IN IRAQ

REF: A. BAGHDAD 4041

[B](#). BAGHDAD 4484

[C](#). BAGHDAD 4553

[D](#). BAGHDAD 3989

[E](#). BAGHDAD 3450

SENSITIVE BUT UNCLASSIFIED - NOT FOR INTERNET DISTRIBUTION.

[1](#)1. (SBU) SUMMARY: Iraq's current economic conditions are adverse for many. While emigration, whether permanent or temporary, is available to a relatively small number, ANECDOTAL EVIDENCE INDICATES those who leave are often among Iraq's best and brightest. Average families have developed a complex dance encompassing barter, the sale of personal assets, black market activity, emigration, and reliance on the intertwined tribal/religious/family connections to cope. END SUMMARY

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FOOD

[1](#)2. (SBU) Each Iraqi family is entitled to receive food staples from the Ministry of Trade through the Public Distribution System (PDS) to meet their basic needs based on family size (ref A). These food rations, however, do not reach every family and, in most cases, do not provide sufficient supplies for the most needy citizens. Of 3,500 households questioned by the World Food Program in a survey released in 2004, roughly 52% of households responded that in the course of a month, they sometimes did not have food to eat and did not have money to buy food. Roughly 50% explained that their income had declined, while others blamed rising prices and shortcomings in the PDS for the food difficulties.

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JOBS

[1](#)3. (SBU) Lack of economic opportunity, especially productive employment, rather than a lack of available food, is the primary reason for food insecurity. A reasonable estimate for unemployment pegs it at approximately 30%. Underemployment is assumed to be much higher, but no data is available (ref E). Coping strategies range from the easy to the extreme. Borrowing money to pay for food is a relatively common expedient. Some 35% of families seek help through Islamic charity. More serious is shifting money from health care and education to purchase food. Greater still is the selling off of assets. Criminal activity to feed one's family is the absolute final resort, according to respondents in the WFP survey.

[1](#)4. (SBU) Most extreme is the liquidation of valuable assets, such as draft cattle, dowries, and land rights. According to representatives of the Food for Peace/USAID office, a village on the Basrah-ThiQar border had very little food during the first nine months of 2005, as village wheat stocks had spoiled because of poor storage techniques. As a consequence, there were few animals in the village -- they had been sold to buy food. Pressed to the breaking point, the villagers are reportedly selling off their water buffalo -- the family tractor in the marsh areas -- to pay for food.

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FUELS

[1](#)5. (SBU) Supplies of fuel for cars, generators, cooking, and heating are increasingly irregular and currently scarce in much of Iraq (refs B and C). This has led to a large black market in fuel. People obtain gasoline by either sitting in long fuel lines and paying at the pump, or buying it from someone who sits in fuel lines for a living. For example, there are reports of old cars that have been turned into mobile gas tanks: people add extra tanks to their cars, then purchase fuel at low, controlled prices (between \$.05 and \$.13 per gallon), then resell the fuel for a profit to their neighbors who have a job and cannot wait a day or two in the gas line.

[1](#)6. (SBU) Coupons to distribute critical cooking and heating fuel across the country (ref D) during the winter months are

freely transferable for the first time in 2005. This innovation has evolved into a thriving free market, where both the coupons and filled fuel canisters are sold to the highest bidders. The richest families have plenty of fuel, and the poorest sell their fuel for a profit to purchase other items -- a thriving bit of economic trade and barter.

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ELECTRICITY  
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17. (SBU) Despite improvements in generation, electricity remains an on-again, off-again essential service in Iraq. In most cities, electricity is on about half the time, on a rotational cycle of several hours on, and several off. Iraqis have developed multiple ways of coping with the constant power interruptions. For example, local entrepreneurs have purchased large neighborhood generators; households can then purchase a certain amount of amps of power from the operator when grid power goes off. A normal bill for this service is \$30-75 per month for about 7-10 amps of alternative power, sufficient to run a household when the national grid is off.

18. (SBU) Families that can afford a generator themselves have small generators of about 1500 KW -- sufficient to keep the lights on and the TV/DVD player working when the neighborhood generators and the grid are off. Minister of Electricity Shalash has estimated that there are 10,000 of the large neighborhood generators in Baghdad, and Minister of Oil al-'Ullum, whose ministry tracks gasoline and diesel consumption, has estimated there are between 750,000 and 1 million small household generators. Acquiring fuel for the generators, as well as for cooking and heating, has become an art. Because of the uncertainty in supply, hoarding is widespread. We note, for example, that a recent delivery of kerosene to Baghdad did not appreciably raise available stocks. We presume that increased household purchases for the purpose of hoarding have hindered the ability of fuel authorities to get ahead of spotty deliveries. If/when the GOI reduces its subsidy for these fuels to something close to regional prices running generators will be increasingly expensive and the number of people without electricity will increase.

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HOUSING  
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19. (SBU) Due to the low individual economic viability, particularly among young, male adults, the nuclear family stays together in Iraq for an extended period of time. Unemployment among younger males is very high so many young, adult males remain in their parents' homes, unable to earn a living or support a family. Young women remain at home, as is usual in the Muslim world, until they are married. This phenomenon, coupled with a high birth rate, means that there are a greater number than normal of quite large households. (NOTE: The size of the average Iraqi household is 6. Among the poor, it rises to 7. END NOTE.)

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TRIBAL AND ISLAMIC NETWORKS  
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110. (SBU) Tribal support networks and Islamic custom, both quite prevalent in Iraq, require each person to share either at least 2.5% of any wealth they have held for one Islamic year or 3.5 oz. of gold with the needy. This tithe is given to the tribal leadership or, in urban settings, to the imam at the local mosque. The donation may be in cash, staples or clothing. This local charity system, known as "Zakat", helps to support those at the lowest end of the economic spectrum.

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EMIGRATION  
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111. (SBU) Some find moving abroad until opportunities in Iraq improve the most attractive option to adverse economic conditions. Neighboring countries, including Jordan, Egypt and Saudi Arabia, are hosting large numbers of Iraqi citizens. We believe that there are thousands of Iraqis "parked" in neighboring countries waiting for better conditions before they return. Furthermore, many multinational companies who maintain regional headquarters in Dubai, Cairo or Amman have recruited a large number of young Iraqi technocrats -- at international salaries -- and are training abroad to be ready for future, stable conditions in Iraq. The remittances these young Iraqis send home help to keep their unemployed and needy family members afloat.

112. (SBU) COMMENT: The drawdown of family capital and emigration, in particular, will make Iraq's economic recovery more difficult. They point to the urgency of establishing conditions to reverse emigration and capital flight as well as secure economic growth. One can and should admire the

resilience of many Iraqi families but, for most, coping mechanisms come with a price -- often impacting on future economic prospects. END COMMENT.  
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